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# NOWHERE:

Automatic spending cuts hurt Contra Costa's economy and most vulnerable communities

Office of Congressman George Miller | November 2013

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"Republicans claimed victory when the sequester first took effect, and now they've decided it was a bad idea all along."

– President Barack Obama, April 2013

"I believe that the House has made its choice: sequestration – and it's unrealistic and ill-conceived discretionary cuts – must be brought to an end."

U.S. Rep. Hal Rogers (R- KY)
Chairman, House Appropriations Committee, July 2013

"The sequester is Washington-speak for a job-killing mechanism. It's a meat ax – immediate, across-the-board cuts that's doing damage to our economy."

- U.S. Rep. Chris Van Hollen (D-MD) Senior Democrat, House Budget Committee

"The tricks that many agencies employed – deferring maintenance, using unspent money from earlier years, cutting staff by attrition –are likely to be exhausted by 2014."

- U.S. Rep. Frank Wolf (R-VA)

Chairman, House Appropriations Subcommittee on Commerce, Justice, Science and Related Agencies, October 2013

## **SUMMARY**

Analysis in this report shows that the across-the-board automatic federal budget cuts that took effect earlier this year, known as the "sequester," have hurt economic growth and low-income and middle class families in Contra Costa County. Now that Congress has begun negotiations over a long-term budget agreement, it is crucial these negotiations result in replacing these arbitrary and harmful automatic cuts with a balanced and targeted approach to deficit reduction and economic growth.

## INTRODUCTION

The disastrous impacts of the government shutdown are readily clear— for two and a half weeks in October, hundreds of thousands of Americans were out of work, national parks were closed, life-saving research at the National Institute of Health was put on hold, small businesses were unable to secure loans, and federally financed mortgage applications were slowed. The shutdown cost the economy \$24 billion, slowed Gross Domestic Product growth, and caused consumer confidence to fall further and faster than at any time since the start of the Iraq War in 2003.

The shutdown is over – for now. And while it clearly damaged the economy, the shutdown is not the only "policy" that has held our economy back: the across-the-board automatic federal budget cuts that took effect earlier this year, officially known as

the "sequester" have largely been a hidden menace—hurting economic growth and low-income and middle class families. \*

Analysis in this new report shows that these cuts exact a substantial hardship on people from all walks of life in Contra Costa County. While this report is not meant to be exhaustive since additional impacts of the "sequester" will continue to surface, it is clear that children, seniors, young adults, working families, the homeless, women, health care professionals, and others are all facing reductions in services for everyday Americans.

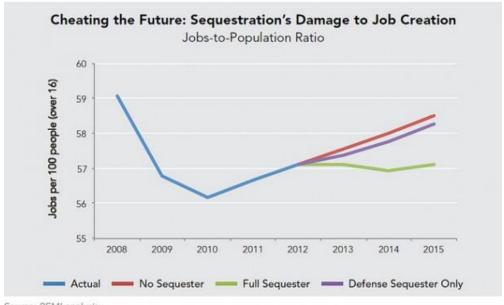
Congress has begun bipartisan negotiations over a long-term budget agreement. It is crucial that these negotiations result in replacing these arbitrary and harmful automatic cuts with a balanced and targeted approach to deficit reduction and economic growth. This report clearly demonstrates that a balanced approach is necessary, as the cuts have already disproportionately affected low-income and middle class families, while slowing economic growth in our country – we cannot afford another round of cuts that will further undermine our local community and the national economy.

Note: The "sequester" is a set of across-the-board spending cuts that resulted when negotiations between the White House and Republicans in Congress over long-term deficit reduction and economic growth failed to reach a consensus. The 2011 Budget Control Act created a framework designed to encourage all parties to work together by mandating across-the-board cuts to both domestic and defense programs in the absence of a larger agreement to cut the long-term deficit more strategically. Since no deal was reached, automatic, across-the-board cuts went into effect in 2013 equal to more than \$85 billion – a substantial reduction to all programs, both defense and non-defense related. In 2014, if no agreement is reached, more than \$100 billion from defense and non-defense spending will be cut. It is important to note that the 10-year, \$1.2 trillion "sequester" that is about to enter its second year comes on top of \$1 trillion in deficit reduction that has already been enacted since 2011, and that deficit projections have dropped substantially since the end of the George W. Bush Administration. The Office of Management and Budget reported last month that the federal deficit fell by 37% from Fiscal Year 2012 to Fiscal Year 2013.

# AUTOMATIC CUTS HURT OUR ECONOMY AND CONTRA COSTA FAMILIES

Non-partisan economists agree – the reckless automatic spending cuts have slowed economic growth and job creation. A recent report issued by Goldman Sachs Chief Economist Jan Hatzius found the impact of these cuts has "shown up fairly clearly" based on a slowing of growth in personal income. Similarly, the *New York Times* found that employment at government contractors "appears to be falling as companies…are informed of contract cancellations or delays in bids for new contracts." ii

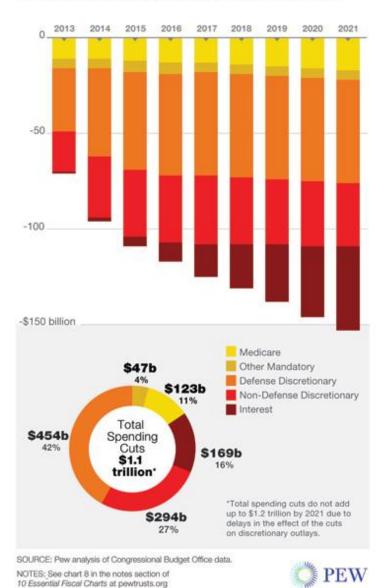
These automatic cuts are killing jobs. The non-partisan Congressional Budget office estimates that ending these automatic spending cuts would boost employment by as many as 1.6 million jobs and increase the nation's GDP by up to 1.2%. iii



With more than \$85 billion in automatic spending cuts already enacted, and more than \$100 billion slated to take place next year and each year thereafter, the threat facing children, familes, and working Americans only grows worse with inaction.

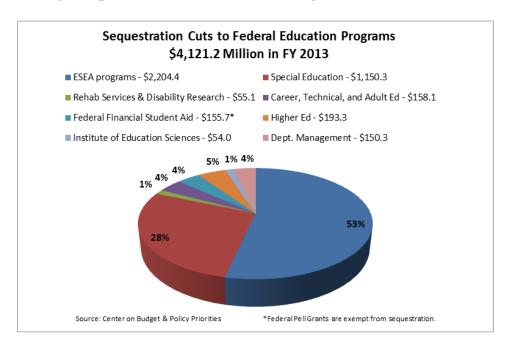
# The Automatic Sequester

Annual and Cumulative Spending Cuts Under \$1.2 Trillion BCA Sequester, Fiscal Years 2013–2021



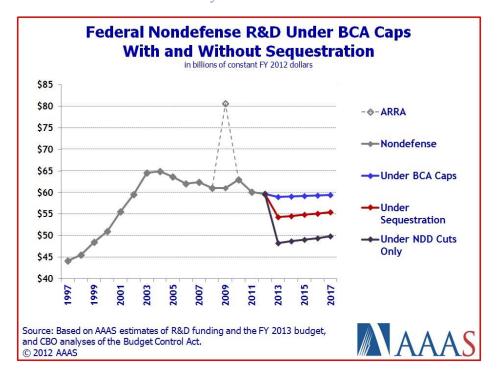
To make matters worse, these cuts, while painful enough today, have a far reaching impact on our nation's ability to compete in an increasingly global economy in the long term.

Automatic spending cuts to education programs designed to prepare students for the future put the workers of tomorrow at a competitive disadvantage. Continuing funding at these low levels would not merely reduce services to our students, it would likely cause the complete elimination of some programs to millions of students and thousands of schools, particularly those serving our poorest and lowest achieving students.



In addition, automatic spending cuts are undermining the basic research that fuels innovation and job creation here in America.

Public investments in technology and research capacity have long played a critical role in our country's scientific advancement. As our economy continues to recover from the 2008 economic crisis, we cannot afford these drastic budget cuts that jeopardize America's leading role in scientific research.



U.S. Rep. George Miller (D-Contra Costa County) directed his staff to investigate the impact of the automatic cuts on his congressional district. Their investigation resulted in this report, "Cuts to Nowhere," describing the severe hardship these cuts have exacted on citizens of Contra Costa County.

Some impacts in Contra Costa County due to automatic cuts include:

- ✓ \$46 million less in funding to Medicare providers.
- ✓ 600 children in Head Start are facing a nine-week reduction in the school year.
- ✓ Meals on Wheels of Contra Costa County is serving 200 fewer meals per day.
- ✓ 50 fewer young adults received workforce experience through subsidized summer jobs for youth.
- ✓ The West County Unified School District received a funding cut of \$1.66 million.
- ✓ 137 homeless individuals, or 50 families lose access to emergency shelter housing.

Rep. Miller believes the automatic cuts should be replaced, and there is bipartisan support to do so. Miller is an original cosponsor of H.R. 699, the **Stop the Sequester Job Loss Now Act**, a bill to replace the reckless across-the-board cuts with targeted cuts to wasteful spending on programs like farm subsidies to large agribusinesses and closing tax loopholes for the wealthiest Americans and multinational corporations.

Passage of this bill would help restore services for those in need in Contra Costa County, boost our economy, invest in future economic growth, and balance the budget in a way that is fair.

## **CHILDREN**

Head Start, a federally funded early childhood education program with active centers throughout Contra Costa County, is an essential tool in the effort to ensure that all children, including those from disadvantaged families, are able to live up to their full academic potential and thrive in school. One study found that, for the children at highest risk, Head Start results in "sustained cognitive impacts" for years to come. iv

Contra Costa County has already lost more than \$1.1 million in funding for Head Start as a result of the automatic spending cuts. The impact of these cuts will be felt for years as children who don't get the services that they need will face more difficulties succeeding academically. The cuts will also place additional pressure on Contra Costa elementary and secondary schools, as many students will enter school less prepared.

To make matters worse, schools across the county will also have fewer resources due to these arbitrary budget cuts, so it will be even more challenging for them to provide needed assistance to disadvantaged students.

The West Contra Costa Unified School District has suffered at least \$1.66 million in cuts to a range of programs, from preschool to the District's general fund to its adult education classes, as a result of the automatic budget cuts. In all, 19 schools in WCCUSD will see cuts for programs designed to help disadvantaged students that schools receive because of high populations of low-income students.

#### The Reductions:

- ✓ Elimination of the Early Head Start Home Visiting program for children 0-3 and pregnant women.
- ✓ \$1.66 million in funding cuts for West County Unified School District.
- ✓ Nine-week reduction in the school year for nearly 600 children.
- ✓ Nine staff positions eliminated and 48 staff impacted.

## The Impact on Families:

- ✓ Reduced critical school readiness activities for vulnerable 4 year olds entering Kindergarten.
- ✓ 16,000 less high-nutrition meals essential for physical and cognitive development.
- ✓ Elimination of necessary pre- and post-natal comprehensive services and resources for new and expecting parents.
- ✓ Lack of consistency in care giving for many at-risk, homeless and foster children.
- ✓ Reduced health, mental health and family support services vital for family success.
- ✓ Cuts for programs designed to help disadvantaged students.

Source: Contra Costa County Community Services Bureau, West Contra Costa Unified School District

## **SMALL BUSINESS**

The Contra Costa Small Business Development Center has fewer resources now due to the automatic spending cut's impact on the federal Small Business Administration. As such, the Contra Costa SBDC received a funding reduction of approximately 10%, making it more difficult to provide small businesses with strategic planning, access to capital, government contracting, and other services that SBDC provides. When small businesses are unable to access these resources, it makes it much harder for them to grow, innovate and create jobs locally.

#### The Reductions:

✓ Funds to the Contra Costa Small Business Development reduced by approximately 10%.

### The Impact on Families:

- ✓ Small businesses lose access to:
  - ✓ Strategic planning.
  - ✓ Access to capital.
  - ✓ Government contracting.
  - ✓ Other services that SBDC provides.

Source: Contra Costa County Workforce Development Board

## **SENIORS**

Contra Costa seniors are among the hardest hit by the reckless automatic budget cuts. Meals on Wheels of Contra Costa has already cut 200 meals per day because of the automatic spending cuts, creating a waiting list of 150 seniors who cannot provide themselves with a nutritious meal on a daily basis. This backlog has increased three to fivefold. Prior to the cuts, the waiting list typically fluctuated between 30 and 40 seniors.

Should Meals on Wheels of Contra Costa face further automatic budget cuts, it is possible that the Senior Nutrition program may scale back its CAFE program at the 17 Senior Centers in Contra Costa County, placing meal services for seniors living in senior centers in jeopardy.

In addition to threats to their ability to access affordable food, Contra Costa seniors face a lack of affordable senior housing. Cuts in HOME and Community Development Block Grants to the county as a result of the automatic spending cuts will limit the Contra Costa County Department of Conservation and Development's ability to provide the necessary gap financing for construction of new affordable housing developments. For

example, the 63-unit El Cerrito Senior Apartments planned on San Pablo Avenue will likely be unable to provide the vouchers necessary to qualify for financing, jeopardizing the entire project.

According to a spokesperson for Eden Housing, an affordable housing developer active in Contra Costa, "in light of federal funding cutbacks, it is unlikely that projects similar to Belle Torre (formerly known as Lafayette Senior) or Orinda Senior Apartments will be able to be developed in Contra Costa County unless funding is restored or a new funding source is created."

#### The Reductions:

- ✓ Meals on Wheels of Contra Costa County serves 200 fewer meals per day.
- ✓ HOME and CDBG cuts hamper ability to finance construction for affordable senior living units.

#### The Impact on Families:

- ✓ 150 seniors go without nutritious meals every day.
- ✓ More seniors faced with a shortage of affordable housing lose their independence, or may be forced to draw down their savings and live in poverty to pay for housing.

Sources: Meals on Wheel of Contra Costa, Eden Housing

## **WORKING FAMILIES**

Increases in rental prices over the last year have helped boost the Contra Costa housing market, but they have also made it more difficult for many working families to find affordable housing. To compound this problem, Contra Costa Housing Authority, which administers the Section 8 rent voucher program and owns and manages 1,200 public housing units, will lose approximately

\$4.9 million in funding over the course of the year due to the automatic budget cuts.

As a result of the automatic budget cuts and other federal budget cuts, the Housing Authority is providing 512 fewer families affordable units than they would prior to the cuts. To make matters worse, those families who are lucky enough to still get housing face increases in their payments. The total increase in housing costs of \$8.5 million a month translate into roughly \$120 per family, but some families face even steeper fee increases depending on their circumstances.

These cuts come despite a substantial demand for affordable rental housing in the county—in 2008, when the Authority last opened the waiting list for these units, 40,000 families applied and only 6,000 were selected by lottery, but the automatic budget cuts mean that even those families that won the lottery are still waiting.

A lack of affordable housing is devastating for families still struggling to recover from income losses caused by the 2008 financial crisis. It also hurts many others in our county who depend on a strong housing market to make a living—including the owners of the vacant units normally operated by the Authority, most of whom are small property owners who live in Contra Costa.

#### The Reductions:

✓ Contra Costa Housing Authority loses \$4.9 million in federal funding each year.

#### The Impact on Families:

- ✓ 512 fewer families are provided affordable housing units.
- ✓ 6,800 families face steep increases in their monthly housing payments.
- ✓ Tens of thousands of families who qualify for affordable housing vouchers will continue to go without rental assistance..

Sources: Contra Costa Times, Contra Costa Housing Authority

## **WOMEN**

Automatic budget cuts to the Title X family planning program have resulted in fewer services being available to women in Contra Costa. California's family planning program received a 6% cut in 2013 due to automatic cuts. Health centers serving Contra Costa suffered losses of at least \$67,868 as a result. California health centers funded by the California Family Health Council report having to make cut-backs for community outreach and education, decrease clinic hours, and reduce staff.

Planned Parenthood Shasta Pacific, which operates 8 health clinics in Contra Costa, now has only one full-time employee for its education team that helps teens through comprehensive sex education and peer group training; they previously had five full-time employees.

#### The Reductions:

✓ Contra Costa Health Centers lose at least \$67,868 in funding.

#### The Impact on Families:

- ✓ Decreased clinic hours.
- ✓ Reduced staff levels.
- ✓ Less community outreach.

Source: California Family Health Council, Planned Parenthood Shasta Pacific

## **DOCTORS AND HOSPITALS**

Automatic budget cuts to Medicare providers will result in doctors and hospitals in Contra Costa County losing more than \$46 million over the next decade. These cuts make it more difficult for doctors and hospitals to provide needed care.

While the Affordable Care Act includes important tools to help control rising health care costs and improve the delivery of care,

continuation of the automatic spending cuts will undermine these investments and instead incentivize more expensive and wasteful treatments.

#### The Reductions:

√ \$46 million less in funding to Medicare providers

#### The Impact on Families:

- ✓ Doctors and hospitals will be hard pressed to provide adequate care to Seniors
- ✓ Care quality may be substantially reduced

Source: California Hospital Association

## YOUNG ADULTS

Contra Costa County is facing substantial cuts in funding for its workforce investment programs as a result of the automatic spending cuts, resulting in reductions in services for at-risk young adults hoping to start a good career. These cuts impact both year-round and summer programs run by the County.

The County received only half as much funding for its summer workforce investment programs this year as it did in 2012 due to the automatic budget cuts, resulting in a reduction of 50 subsidized youth jobs over the summer. And these reductions could have been much more severe if not for aggressive efforts by the County to stretch its existing funds as far as possible. However, in doing so, individuals who still receive services from the County have also been affected by forced reductions in the hours they work or amount of training they receive. Hourly reductions for these young adults translate directly to a loss in income, and is particularly difficult for young adults from lowincome families who are desperately trying to help their families make ends meet.

Many of these young adults losing out on workforce training are also facing the brunt of budget cuts to other programs for individuals with disabilities or at-risk youth. The loss of this combination of services makes it substantially less likely that these individuals will be able to successfully graduate and enter post-secondary education or a career.

#### The Reductions:

✓ Substantial funding cuts for County workforce investment programs.

### The Impact on Families:

- ✓ 50 youth lose an opportunity for workforce training and summer jobs.
- ✓ Forced reductions in the hours worked or received training for workforce investment participants, which also affects their level of pay.
- ✓ Decreased likelihood that many youth will successfully graduate and enter post-secondary education or a career.

Source: Contra Costa County Workforce Development Board

## **OLDER WORKERS**

Contra Costa's Senior Community Service Employment Program helps older workers gain skills while benefiting the community by serving in non-profits and community organizations at minimum wage hourly rates. A reduction in funding through the Older Americans Act to operate the program has decreased the number of senior community services slots in the county by 25, as well as a reduction in the number of hours for those still able to participate.

Many older employees who lost their jobs during the recession have faced difficulty finding new jobs. The Senior Community Service Employment Program helps those workers learn new skills that will help them obtain jobs in the private sector while improving the community through a range of service projects.

#### The Reductions:

✓ Older Americans Act funding for the Contra Costa Senior Community Service Employment Program is cut substantially.

#### The Impact

✓ 25 fewer out-of-work seniors are able to receive on the job training and skills while benefitting the community.

Source: Contra Costa County Workforce Development Board

## **HOMELESS FAMILIES**

The County's emergency shelters have all faced severe funding shortfalls as a result of automatic spending cuts. Many shelters have cut staff levels deeply, including ending ancillary services such as career readiness, accommodations for children, and counseling programs. In addition, the number of individuals served by these shelters has also been decreased due to the funding cuts.

For example, this past September, SHELTER, Inc. of Contra Costa's funding from the Federal Emergency Food and Shelter Program decreased by \$27,544 (a 31% cut) for SHELTER, Inc.'s emergency family shelter and by \$40,000 (a 57% cut) for the homeless prevention program.

The cuts to the Food and Shelter program put over 675 bednights of shelter at risk, and while SHELTER Inc. is urgently working to find new funding to compensate, these decreases in funding undermine the services they are able to provide and ultimately reduces the number of families who are helped.

For SHELTER Inc., the loss of \$40,000 in emergency rental assistance affects approximately 137 people. Currently, the cost of keeping a family housed averages only \$798 (or \$291 per person).

The need to help families and individuals stay in their homes greatly exceeds available funding; last year, prior to automatic federal budget cuts, SHELTER Inc. was only able to help 26% of the households requesting assistance due to resource limitations.

Of particular concern, beginning in January 2014 and as a result of the automatic spending cuts, homelessness assistance programs and emergency shelters will also receive additional funding reductions from the U.S. Department of Housing & Urban Development's McKinney-Vento Homeless Assistance Act. These cuts, which will take place unless the automatic spending cuts are replaced, will create new, significant risks to the homeless starting in 2014.

#### The Reductions:

✓ Deep cuts to anti-poverty and homeless reduction programs in Contra Costa County.

## The Impact on Families:

- ✓ Ancillary programs at shelters reduced or eliminated.
- ✓ Staff levels and shelters reduced.
- ✓ Fewer families are accepted to emergency shelters when in need.
- ✓ More families are forced into deeper poverty.

Source: SHELTER Inc., and United Way of the Bay Area

## **PARKS**

Automatic spending cuts to the National Park Service mean that Contra Costa residents and schoolchildren will have fewer opportunities to take advantage of the outdoors and learn about the region's history.

#### The Reductions:

- ✓ The Eugene O'Neill National Historic Site in Danville will only be open for three days per week, down from five.
- ✓ The John Muir National Historic Site in Martinez, which had been open every day, will now close on Mondays and Tuesdays.
- ✓ Site maintenance at John Muir Historic Site and Eugene O'Neil National Historic Site will be less frequent.
- ✓ Rosie the Riveter World War II Home Front National Historic Park and Port Chicago Naval Magazine National Memorial in Concord will not face additional closings, but budget cuts mean that they will not be able to offer or participate in as many community events or youth programs.

Source: East Bay Regional Parks District

## **CONCLUSION**

Automatic spending cuts, known as the "sequester," have already hurt Contra Costa County's economy and vulnerable communities. If allowed to continue, the impacts of these automatic spending cuts will have even more severe impacts beginning in January 2014.

Many of the organizations mentioned in this report have already undertaken extraordinary, one-time measures to mitigate the effects of these automatic spending cuts, measures that cannot be repeated again in the coming months. By doing so, these organizations have avoided deeper service cuts now by moving resources where they could – but there is a limit to how often or effectively these extraordinary measures can be used in the future and moving these resources has already placed cash-strapped organizations further on the edge.

Rep. Miller isn't the only one concerned that continued automatic spending cuts will further degrade budgets for local organizations already struggling with limited resources and left with few options beyond additional reductions in services to already-needy populations. U.S. Rep. Frank Wolf (R-VA) recently said the extraordinary accounting measures organizations made to mitigate service impacts were "kind of like when you go through your drawers and your pants and you collect the dimes – you can't do that again. The second year will be much more difficult."

Organizations, like the Food Bank of Contra Costa and Solano, that have not yet seen their services impacted in 2013 due to having ordered products and commodities far in advance, will likely find their services reduced in 2014 should the automatic spending cuts not be replaced with a balanced alternative. Other groups, like SHELTER Inc., of Contra Costa, anticipate

further service reductions in 2014 as a result of automatic cuts to programs that have not yet been affected because they are still spending funds from the prior fiscal year.

Compound another round of automatic cuts with the prospect of organizations unable to take these one-time extraordinary budget measures, and the likelihood of further direct impacts to social services for vulnerable families in Contra Costa County are greatly increased.

The economy has improved slowly and steadily since the depth of the 2008 recession. However, this economic recovery has not been felt by all populations equitably. In fact, a recent economic report released by the University of California Berkeley economist Emmanuel Saez found that the income of the nation's wealthiest 1% grew by 31.4% while the income of the bottom 99% grew only by 0.4% from 2009 to 2012, and nearly 95% of the wealth created during the economic recovery has benefitted only 1% of the nation's population. vi

Meanwhile, many of the individuals hit hardest by the economic recession are still struggling to make ends meet years later. And these are the same people most directly affected by the automatic cuts, while the wealthiest Americans remain largely protected from them. Removing vital safety net programs that keep families out of poverty, provide food for the hungry, job training for the unemployed, business loans in a time of frozen credit, and shelter for the needy is the last thing Congress should do.

Analysis in this new report shows that these cuts exact a substantial hardship on people from all walks of life in Contra Costa County. While this report is not meant to be exhaustive since additional impacts of the "sequester" will continue to surface, it is clear that children, seniors, young adults, working families, the homeless, women, health care professionals, and

others are all facing reductions in services that put roadblocks in the way of success for everyday Americans.

The United States was built on the promise of opportunity for all who seek it, and now Congress has the opportunity to work towards restoring that promise by ending these reckless automatic spending cuts in the current budget negotiations. House Democrats have put forward a solution to boost job growth, make key investments in infrastructure, replace the automatic spending cuts, and reduce the long-term deficit in a balanced way with a mix of targeted spending cuts to wasteful programs and unjustified tax preferences for the wealthiest Americans and special interests – not the deep, immediate, indiscriminate automatic spending cuts that will result in up to 1.6 million fewer jobs by this time next year.

www.Georgemiller.house.gov

<sup>&</sup>lt;sup>i</sup> Perlberg, Steven. "GOLDMAN: The Economic Damage From The Sequester Is Becoming More Clear, And It Could Get Worse." Business Insider 11 Sept. 2013

<sup>&</sup>lt;sup>ii</sup> Calmes, Jackie, and Catherine Rampell. "U.S. Cuts Take Increasing Toll on Job Growth." The New York Times 2 Aug. 2013

<sup>&</sup>lt;sup>iii</sup> United States. Congressional Budget Office. How Eliminating the Automatic Spending Reductions Specified by the Budget Control Act Would Affect the U.S. Economy in 2014. 113th Cong.

<sup>&</sup>lt;sup>iv</sup> United States. Department of Health and Human Services. Office of Planning, Research and Evaluation Administration for Children and Families. Head Start Impact Study Final Report. 2010.

<sup>&</sup>lt;sup>v</sup> Weisman, Jonathan. "After Year of Working Around Federal Cuts, Agencies Face Fewer Options." The New York Times [New York] 26 Oct. 2013

vi Saez, Emmanuel. Striking It Richer: The Evolution of Top Incomes in the United States (Updated with 2012 Preliminary Estimates). Rep. Berkeley: UC Berkeley, 2013.